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DE RUEHSM #0374 1740831

ZNR UUUUU ZZH

P 230831Z JUN 09

FM AMEMBASSY STOCKHOLM

TO RUEHC/SECSTATE WASHDC PRIORITY 4431

INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE

UNCLAS STOCKHOLM 000374

SENSITIVE

SIPDIS

E.O. 12958:N/A

TAGS: [ECON](#) [EFIN](#) [PGOV](#) [SW](#)

SUBJECT: SAAB + KOENIGSEGG = KOENIGSSAAB?

11. (U) Summary: On June 16, GM revealed its plans for the future of Saab Automotive as Koenigsegg Group AB confirmed the details of a memorandum of understanding for the purchase of Saab. Koenigsegg is a Swedish sports car maker, producing as few as 18 exclusive cars per year. Commentators in Sweden have questioned whether Koenigsegg will have the financial muscle and industrial know-how to run Saab and the Swedish Government has yet to guarantee any loans from the European Investment Bank. End Summary.

12. (U) Swedish sports car maker Koenigsegg is to buy Saab Automobile, it was confirmed on June 16. In a public statement, "General Motors Corp. and Koenigsegg Group AB, a consortium led by Koenigsegg Automotive AB, today confirmed the details of a memorandum of understanding for the purchase of Saab Automobile AB that secures Saab's future." In her own public statement welcoming the deal, Swedish Minister for Enterprise and Energy Maud Olofsson said, "It is good that Saab's ownership issue is now settled. This is an announcement that the company's employees, Trollhattan, the region, and the government have all been waiting for." Saab last made a profit in 2001, the only year in almost two decades of GM ownership. The car unit posted a 2008 net loss of \$241 million as sales dwindled due to an ageing product line and a collapse in demand.

13. (U) The sale is expected to close by the end of the third quarter and includes an expected \$600 million funding commitment from the European Investment Bank, yet to be guaranteed by the Swedish government. Saab Automobile owes \$1.3 billion to GM as well as \$44 million to the Swedish Government and \$82 million to other creditors. About 3,400 people are employed in Sweden, and some 12,000 other jobs in the country depend on Saab through suppliers.

14. (U) However, Saab's creditors agreed on June 17 to write down 75 percent of the automaker's debts, significantly reducing the financial burden facing the Koenigsegg Group. The Swedish state remained among the creditors who refrained from voting in favor of the deal. The letter of intent between the parties means that the National Debt Office can now initiate negotiations with Saab and its future owners on the conditions for state credit guarantees for loans from the European Investment Bank (EIB). Before a Government decision can be taken to provide guarantees, the EIB must approve the framework for the loans and the European Commission must approve the terms of the state credit guarantees.

15. (U) Koenigsegg was founded in 1994 by Swedish businessman Christian von Koenigsegg, holds only 45 employees and produces 18 high-end sports cars a year for more than \$1.4 million each. Over the past five years the company has shown in total \$8.4 million of losses. The company is backed by U.S. and Norwegian investors, among them the financial tycoon Bard Eker, whose holding company Eker Group holds a 49 percent stake in the niche sports car maker. Mark Bishop is said to hold 22.2 percent of the shares in newly registered Koenigsegg Group AB. He is an American previously involved in subprime loans and most recently involved in a company acquiring real estate seized by banks. Christian von Koenigsegg revealed little of his plans in an interview with Swedish public broadcaster SVT, saying only that he has a long-term ownership plan

and will follow the business plan previously laid out by Saab's chief executive Jan Ake Jonsson.

¶6. (SBU) Commentators in Sweden have questioned whether Koenigsegg will have the financial muscle and industrial know-how to run Saab, especially since the new owner has yet to detail its plans for the future. Doubts are also raised about what the GOS will require to provide the guarantee for the EIB loans. Market insiders have said that they expect that the GOS will require the new owners to put in fresh capital equaling the amount the GOS will guarantee, some \$600 million - in order for the Government to move ahead with the guarantee. If not, the GOS will let the deal fall through -- a move which ultimately could lead to a bankruptcy for SAAB.

SILVERMAN